



IMPACT OF MICROFINANCE ON INCOME THROUGH SHGS IN MADURAI DISTRICT

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ABSTRACT

This study examines the responsibility of microfinance institutions towards changes in the livelihood practices of the borrowers. The study is based on both primary and secondary data. The primary data were collected from the women Self Help Group members in Madurai District of Tamil Nadu by using interview schedules. Considering a total of 120 borrowers of Madurai, the impact of microfinance on their lives has been observed empirically by applying different statistical tools. In this study, impact of micro finance on income. For this the impact analysis of pre and post SHG members' situation has been taken. This study contributes to the extant literature on microfinance by comparing pre-loan and post-loan phases and identified. Gini co-efficient of concentration ratio was used to measure the extent of inequalities in the distribution of income in the households of SHG members before and after joining SHGs. The upward shift in the Lorence curve towards the diagonal line for after joining SHGs, clearly shows that there is an improvement in the income inequality among the SHG members after joining SHGs. By considering the appropriate framework and approach, this study is explicable towards policymakers for designing further policies in this context and helps identify resources that need to flourish the current state in the future.

KEYWORDS: Income, Employment, Micro Finance, Self Help Groups and Banking

INTRODUCTION

Self help groups are small informal association of the poor created at the grass root level for the purpose of enabling members to reap economic benefits out of mutual help solidarity and joint responsibility, Self help groups are formed voluntarily by the rural and urban poor to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their families and community.

A self help group is defined as a "self governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose."

Self help group have been able to mobilize small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the productive and emergent credit needs of members of the group. The Tamil Nadu Corporation for Development of Women Ltd. (TNCDW) in its credit guidelines for the SHGs defines as a small economically homogenous affinity group of rural poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their family and community.

Self-Help Groups (SHGs) are small, informal associations of individuals, often women, from similar socio-economic backgrounds. These groups promote savings among members,

creating a common fund used for microloans. SHGs act as a bridge between the poor and the formal financial system, empowering them to undertake income-generating activities.

Studies have shown that microfinance through SHGs can have a positive impact on income, savings, employment, and asset ownership. In Madurai District, SHGs have become a significant social movement with government support, particularly for rural women. This research will explore how microfinance through SHGs in Madurai District has affected these key areas of economic development.

REVIEW OF LITERATURE

M. A. Lokhande (2009) in his article reviewed the status of SHG- Bank linkage programme in Maharashtra for a period of 10 years ie 1996-97 to 2006-07. The study was based on secondary data which had been collected from Nabard website, Nabard publications, economic survey of Maharashtra books and Journals related to the study. For the purpose of analysis of data, simple percentages and averages had been used. Maharashtra had fourth positions (2005 March) in India in implementation of SHGs - Banks linkage programme. As it was evident from the available data SHGs-Bank linkage programme of Maharashtra so far has showned remarkable performance by securing 5.87 per cent of share of aggregate credit linked SHGs. (22, 38, 525 SHGs) as on 31st March 2006. However, there was a need for corrections of improvements.

Arjun Y. Pangannavar (2009) who identified that SHGs provided the poor women the access to economic recourses like money and thereby enabled them spend on productive

and consumption needs. It also enabled them to participate in decision making on economic and financial issue like family financial needs, supplementing of family income, consumption pattern, raising of loan, sale and mortgage of assets etc. The study further revealed that SHGs enhance the economic and social status of women at family and society level. It gave them the opportunities of self development through imparting them education on self development through education, training of practical knowledge and changed them from housekeeper to organiser, manager and decision maker and finally changed the outlook of the women.

P. Sanjeev Kumar (2009) in his study on SHG movement of women empowerment expressed that there are about 4.56 lakh women SHGs covering nearly 61.70 lakhs poor women. The SHGs were not only resorting to thrift but also were taking small loans out of the corpus for their personal needs. However in the long-run such loans were utilized for income generation activities since the inception of an amount Rs.1556.90 crores mobilized as corpus by these groups.

The study identified that 98 per cent of the members made savings regularly. All the group met atleast once in a month to discuss the various social issues related to their day-to-day life. 98 per cent of eligible members adopted small family norms and 100 per cent children of SHG members were able to access immunization services against diseases.

Ramesh O. Olekar (2009) in his study on the opinion of SHGs members on women empowerment evolved a set of determinants of women empowerment through consultation. The study held discussion with selected 100 SHGs members in 20 villages of Caveri district of Karnataka state. The relevant indicators used by researcher were basic needs fulfillment, availability of adequate resource base, health care, education, involvement in decision making, economic freedom, public participation, freedom of mobility, possession of certain qualities of government support. All the above indicators helped an assessment of the empowerment of women. These also helped in developing a comparative picture of women empowerment across the regions, nations and communities. These would help the government policy makers to point out weakness in different empowerment programmes and also to revise and modify them accordingly.

In this study, Srimoyee Datta and Tarak Nath Sahu (2020) investigate the role that microfinance institutions play in helping borrowers modify their methods of subsistence. Using various statistical approaches, the effect of microfinance on the lives of 350 borrowers in West Bengal has been objectively studied. It has been noted in this study that MFIs, through their offers, help to gradually mould the beneficiaries' lifestyle practices. Utilising microcredit enables borrowers to begin revenue-generating ventures and attract labour both inside and outside of their homes. By contrasting pre- and post-loan stages, this study adds to the body of knowledge already available on microfinance and clarifies the modern role of MFIs. Taking into account the proper structure and methodology, this study

METHODOLOGY

Designing a suitable methodology and selection of analytical tools are important for a meaningful analysis of any research problem. The study is based on both primary and secondary data. The primary data were collected from the women Self Help Group members in Madurai District of Tamil Nadu by using interview schedules. The primary data comprises socio economic conditions, Self Help Group details, micro enterprises, marketing and their problems. The final structure of the interview schedule was framed after the pre-test and pilot study. The secondary data were collected from Books, Journals, RBI Bulletins, NABARD's Annual Reports, unpublished records of the Mahalir Thittam office in Madurai district, DRDA in Madurai district, theses and Web sites. Sampling means the process of learning the characteristics of the entire universe by examining only a small portion of the given universe. Considering a total of 120 borrowers of Madurai, the impact of microfinance on their lives has been observed empirically by applying different statistical tools. Gini coefficient of concentration ratio was used to measure the extent of inequalities in the distribution of income in the households of SHG members before and after joining SHGs. The upward shift in the Lorence curve towards the diagonal line for after joining SHGs, clearly shows that there is an improvement in the income inequality among the SHG members after joining SHGs.

RESULT AND DISCUSSION

In this to analyses the impact of micro finance on income, expenditure, savings, employment, indebtedness and asset positions. For this the impact analysis of pre and post SHG members' situation has been taken.

Average Income Generated from SHGs

In the present study area, the sample SHG members were involved in nine different activities namely, Handloom, Hallow – block - making, production of Sanitary Napkin, Detergent cake, Agarbathi stick, Bakery products, Coir - rope making, Food products and Dairy. The purpose of starting a micro enterprise is to generate additional income to the family. Each activity is different, in nature and also income from each activity is also not the same. For each activity, the average additional income generated through the micro enterprise is calculated and furnished in the following table 1.

Sl. No.	Activity	No. of Respondents	Average Income Generated (in Rs.)
1.	Handloom	5	1146.21
2.	Hallow block	3	1491.65
3.	Sanitary Napkins	16	968.11
4.	Detergent cakes	10	1257.22
5.	Bakery products	9	1556.11
6.	Agarbathi sticks	13	782.15
7.	Coir rope making	14	1034.85
8.	Food products	22	2698.61
9.	Dairy	28	1348.15

Source: Computed from primary data,

Table 1 : Average Income Generated From Self Help Groups

From the above table 1, it has been observed that the SHG members involved in the production of food products earn comparatively more average income of Rs.2698.61 per month than in other activities. Next to food products, SHG members were engaged in the production of bakery products and hallow block earn an average income of Rs.1556.11 and Rs.1491.65, respectively. SHG members occupied in the production of agarbathi sticks making earn the least average income of Rs.782.15.

Nature of activity undertaken

The micro activities undertaken by the 120 respondents were classified into two categories, namely, group activity and individual activity. Whether they engaged in group activity or individual activity, their motive is to generate more income through the micro activities. The distribution of SHG members according to the nature of activity undertaken by them and their average income is presented in the table 2.

Nature of Activity Undertaken	No. of Respondents	Average Income Generated
Group	30 (25.00)	Rs. 1118.38
Individual	90 (75.00)	Rs. 1564.16

Source: Computed from primary data,

*Figure in brackets represents percentage

Table 2 : Distribution of Sample Women According to the Nature of Micro Activities Undertaken

From the table 2 it has been inferred that among the 120 sample SHG women, 30 (25 per cent) perform group activities and the remaining 90 (75 per cent) undertake the tasks individually, that is majority of the micro activities are run individually in the present study area. The average income generated by the group activities is Rs.1118.38 and by the individual activities is Rs.1564.16, which shows that those who are involved in the individual activities generate more income than those engaged in group activities. Though they are in group when they involve in income generating activities they still do not involve themselves fully.

Impact of micro finance on monthly family Income

Income is the major determinant of the standard of life of the people. The income of the SHG members has increased after joining SHGs. Hence, they are in a position to meet their personal expenditure independently, and they contribute more to their household income.

Sl. No.	Monthly Household Income	No. of Respondents	
		Before Joining SHG	After Joining SHG
1.	Less than Rs.2000	13 (10.83)	--
2.	Rs.3001 – 4000	47 (39.17)	8 (6.67)
3.	Rs.3001 – 4000	34 (28.33)	37 (30.83)
4.	Rs.4001 – 5000	16 (13.33)	34 (28.33)
5.	Above Rs.5000	9 (7.5)	41 (34.17)
	Total	120 (100)	120 (100)

Source: Computed from Primary Data, 2022-23

Note: Figures in brackets represent percentage to total.

Table 3 : Monthly Household Income of the Respondents Before and After Joining SHGs

Table 3 reveals the monthly income of the respondents before and after joining SHG. Before joining the SHG 10.83 percent of the respondents had the monthly family income of less than Rs.2000, whereas after joining SHG no respondents had monthly family income less than Rs.2000. 39.17 percent of the respondents had monthly income between Rs.2001 and 3000 before joining SHG, which decreased by 6.67 percent after joining SHG. 28.33 per cent, 13.33 per cent and 7.50 per cent of the respondents had monthly family income between Rs.3000 and 4000, Rs.4000 and 5000 and above Rs.5000, respectively before joining SHG. But after joining SHG it increased to 30.83, 28.33 and 34.17 per cent respectively. From the table it is evident that after joining the SHG the respondent's monthly family income has shown a substantial increase.

Gini Ratio

Gini co-efficient of concentration ratio was used to measure the extent of inequalities in the distribution of income in the households of SHG members before and after joining SHGs in the case of those engaged in different activities in the study area. The range of Gini ratio would be from 0 to 1. Gini ratio of 0 would mean that every individual would reserve exactly that same income i.e., perfect equality in distribution. Gini ratio of one means that an individual would reserve the different income i.e., perfect inequality in income. Gini ratio was calculated by using the formula.

$$G = 1 - \frac{\sum_{k=1}^N (P_k - P_{k-1})(Q_k + Q_{k-1})}{10,000}$$

Where,

G = Gini coefficient of concentration

P_k = Cumulative per cent of frequency of SHG member

Q_k = Cumulative per cent of income

N = Number of classes used in the analysis

Gini coefficient ratio	Before joining SHG	After joining SHG
G	0.199	0.155

The Gini ratio was estimated to analyse the distribution of household income of the SHG members before and after joining SHGs in the study area. The estimated value of Gini ratio before and after joining SHGs clearly indicate that there is no perfect equality in the household income among the women beneficiaries. But the decrease in the value of Gini ratio from 0.199 to 0.155 shows that the income inequality between the SHG members has decreased after joining SHGs.

Lorenz curve

Lorenz curve was drawn by plotting the cumulative percentage of the values of the variables (household income of the respondents) along the vertical axis and the cumulative percentage of the households along the horizontal axis. With the perfect equality in the distribution of the variables, the Lorenz curve would coincide with the diagonal, while with perfect inequality of the distribution, the curve would coincide with the horizontal line and the right hand side vertical line of the diagram. Nearer the curve was to the 45° line, the greater was the equality of the distribution.

In the diagram 1, the Lorenz curve is far from the diagonal line which shows the inequality in the distribution of household income of the sample SHG women in the study area. The upward shift in the Lorenz curve towards the diagonal line clearly shows that there is an improvement in the income inequality among the SHG members after joining SHGs.

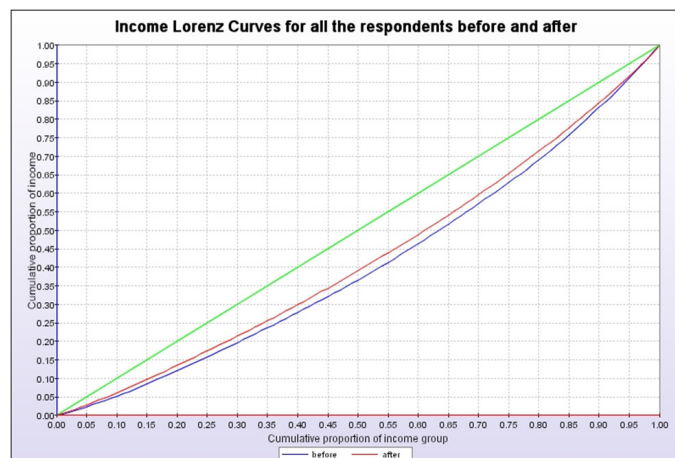


DIAGRAM 1

CONCLUSION

It is concluded that the study provides sample evidence to the fact that micro finance through SHGs laid the seeds for social and economic empowerment of women. Banking the unbankable through micro finance is a valuable contribution to development planning as it presents an alternative way to development. The possible outcomes of women empowerment through SHGs at household level are entrepreneurship, sustainable livelihoods, improved health and education, enhanced social dignity and better status for women. It has been observed that the SHG members involved in the production of food products earn comparatively more average income of per month than in other activities. It has been inferred that among the sample SHG women perform group activities and the remaining undertake the tasks individually, that is majority of the micro activities are run individually in the present study area. Though they are in group when they involve in income generating activities they still do not involve themselves fully. In this study evident that after joining the SHG the respondent's monthly family income has shown a substantial increase. The estimated value of Gini ratio before and after joining SHGs clearly indicates that there is no perfect equality in the household income among the women beneficiaries. The upward shift in the Lorenz curve towards the diagonal line clearly shows that there is an improvement in the income inequality among the SHG members after joining SHGs in this study area.

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